

Message Text

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SUBJECT: SWEDISH GOVERNMENT DRAFT NATIONAL BUDGET, 1975/76

1. DRAFT NATIONAL BUDGET WAS PRESENTED TO PARLIAMENT ON JANUARY 10 BY FINANCE MINISTER GUNNAR STRANG. BUDGET IS SUBSTANTIALLY LARGER FOR PAST YEAR WITH REVENUES TOTALING SKR 81.3 BILLION (UP 11.3 PERCENT) AND EXPENDITURES TOTALING SKR 93.2 BILLION (UP 14 PERCENT), A RECORD-LEVEL. DEFICIT OF SKR 11.9 BILLION IS ROUGHLY AT SAME LEVEL OF LAST YEAR (REVISED ESTIMATED). BUDGET IS INTENDED TO SUSTAIN HIGH LEVEL OF ECONOMIC ACTIVITIES OF PAST YEAR AND IS THEREFORE SLIGHTLY MORE EXPANSIVE THAN LAST YEAR.

2. MAJOR ASSUMPTIONS OF BUDGET AND ECONOMIC GOALS FOR 1975 ARE: AN INCREASE IN GDP OF 2.5 - 3.0 PERCENT; CONSUMPTION TO RISE BY 3.5 PERCENT AND REAL DISPOSABLE INCOME BY 2.0 PERCENT; INCREASED PUBLIC CONSUMPTION BY 3.0 PERCENT; INFLATION TO BE LIMITED TO 7.0 - 8.0 PERCENT; PRIVATE INVESTMENTS TO INCREASE BY 5.0 PERCENT AND INDUSTRIAL OUTPUT

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BY 10.0 PERCENT; DEPENDING ON EXTERNAL MARKET DEVELOPMENTS,

EXPORTS WILL RISE IN REAL TERMS BY 3.0 PERCENT WHILE IMPORTS WILL GO UP BY 6.0 PERCENT BY VOLUME - TERMS OF TRADE WILL IMPROVE; CURRENT ACCOUNT OF BALANCE OF PAYMENTS WILL HAVE HIGHER DEFICIT TOTALING SKR 4.8 BILLION (SLIGHTLY MORE THAN INITIALLY ESTIMATED) AS COMPARED TO SKR 2.745 BILLION LAST YEAR; AND UNEMPLOYMENT WILL REMAIN LOW, PERHAPS BELOW 2.0 PERCENT OF LABOR FORCE. A KEY ELEMENT IS TRADE, AND INDIRECTLY ECONOMIC PERFORMANCE WILL BE QUESTION OF ACCURACY OF ASSUMPTION THAT THERE WILL BE A CYCLICAL UPSWING IN FOREIGN MARKETS BEGINNING SECOND HALF OF 1975.

3. BUDGETED REVENUES ARE EXPECTED TO RISE MAINLY BECAUSE OF HIGHER TAXES FROM LARGER WORKER INCOMES AND FROM INDIRECT TAXES ARISING FROM RISING ECONOMIC ACTIVITIES. REVENUES NEVERTHELESS WILL BE INSUFFICIENT TO MEET EXPENDITURES AND GOVERNMENT HAS DECIDED TO ENCOURAGE PUBLIC BORROWINGS FROM ABROAD.

4. EXPENDITURES ARE INCREASED ACROSS THE BOARD BUT THEY REFLECT FOR THE MOST PART CHANGES NECESSITATED BY INFLATION. PRICE SUPPORT FOR FOODSTUFFS, PENSION PAYMENTS, HOUSING AND FOREIGN ASSISTANCE ITEMS SHOW MORE THAN OVERALL RISE IN BUDGETED EXPENDITURES. FOREIGN AID, FOR EXAMPLE WILL INCREASE BY 36 PERCENT TO SKR 2.861 BILLION, EQUAL TO ONE PERCENT OF GDP, THIS ACHIEVING OECD GOAL (DETAILS BY AIRGRAM). BECAUSE OF ECONOMIC UNCERTAINTIES, REQUEST IS ALSO MADE FOR SKR 1.0 BILLION TO MEET POTENTIAL UNEMPLOYMENT PROBLEMS. TO STIMULATE INDUSTRIAL INVESTMENTS, GOVERNMENT ALSO PLANS TO RELEASE LARGE AMOUNT OF RESERVE FUNDS FOR INDUSTRIAL DEVELOPMENT AND ENVIRONMENTAL REQUIREMENTS, PREVIOUSLY COLLECTED FROM INDUSTRIES. DEFENSE EXPENDITURES TOTAL SKR 10.275 BILLION (3.4 PERCENT OF GDP) INCLUDING CIVIL, ECONOMIC AND MISCELLANEOUS ITEMS.

5. PRESS AND OPPOSITION LEADERS' COMMENTS ON BUDGET HAVE BEEN LARGELY OF MINOR NATURE RATHER THAN CRITICISM OF OVERALL BUDGET PROPOSAL. CENTER PARTY SPOKESMAN (FALLDIN) EXPRESSED CONCERN THAT SWEDEN MAY WITNESS A BUSINESS DOWNTURN AND DOUBTS REGARDING EXTERNAL MARKET DEVELOPMENTS ASSUMED BY THE GOVERNMENT. MODERATE PARTY SPOKESMAN (BOHMAN) ALSO EXPRESSED DOUBTS REGARDING FOREIGN MARKET DEVELOPMENTS AND URGED THAT

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MORE NEEDS TO BE DONE TO COUNTERACT POSSIBLE RECESSION AND UNEMPLOYMENT. LIBERAL PARTY SPOKESMAN (HELEN) THOUGHT PRIVATE CONSUMPTION SHOULD HAVE BEEN STIMULATED MORE BUT INDICATED THAT BUDGET CONTAINED NO SURPRISES. COMMUNIST PARTY SPOKESMAN (HERMANNSSON) NOT UNEXPECTEDLY FELT THERE WAS NEED TO MEET CONTINUING UNEMPLOYMENT AND A NEED TO MOVE AGAINST MONOPOLIES AND SPECULATORS. ECONOMISTS (GORAN OHLIN) FELT THAT BUDGET SHOULD HAVE BEEN MORE EXPANSIVE, DISAGREEING WITH

MINISTER STRANG ON DEVELOPMENTS IN FOREIGN MARKETS.

6. COMMENT. THERE IS GENERAL AGREEMENT WITH THE SWEDISH
GOVERNMENT DECISION TO ENCOURAGE PUBLIC BORROWINGS FROM
ABROAD. THE BUDGET, THOUGH NOT INNOVATIVE, DOES TAKE VARIOUS
CONTINGENCIES INTO CONSIDERATION, AND WHEN THE BUDGET COMES
UP FOR PARLIAMENTARY VOTE, IT WILL BE APPROVED,
PROBABLY WITH ONLY MINOR CHANGES.
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